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ASSESSMENT **of** **RURAL PROPERTIES** **in** **NORTH CENTRAL LOUISIANA**

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FINDINGS

I. Based on 1,116 rural properties transferred between 1953 and 1958, assessments per acre for rural lands in six North Louisiana hill farm parishes in 1959 were:

Land Class	Bienville	Claiborne	Jackson	Lincoln	Union	Webster
Class A	\$15.00	\$17.75	\$11.00	\$14.00	\$10.00	\$16.00
Class B	10.00	10.00	11.00	11.00	8.00	11.00
Class C	8.00	8.00	8.00	8.00	6.00	8.50
Pasture	7.00	8.00	7.00	5.00	6.00	6.50
Miscellaneous	18.00	7.00	.....	4.25	5.00	14.60
Other Pine	7.00	*	5.00	*	5.00	6.50
Cutover Pine	5.00	*	5.00	4.00	.....	5.00

*Most forest lands in Claiborne and Lincoln parishes were assessed as miscellaneous land.

II. During the period 1953-58, about 48 percent of the rural tracts were being assessed at from 10 to 20 percent of sale value. Seventeen percent of the tracts were assessed below this range and 35 percent were in excess of this range.

III. Low value properties were assessed at higher rates than the more expensive properties. In fact, those valued at \$2,000 were assessed at a ratio two and a half times as high as properties valued at \$8,000 or more.

IV. The rate of assessment on homestead exempt properties valued at \$2,000 or less was found to be three times as high as the rate of assessment on non-exempt properties of the same value.

V. Assessors apparently show no particular favoritism to owners in different occupational groups.

VI. Absentee owners are not being penalized by higher assessments. Their assessments compare favorably with those imposed on owner-occupied properties.

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Assessment of Rural Property In North Central Louisiana

C. J. ST. CLERGY AND F. L. CORTY*

Introduction

The general property or ad valorem tax is one of the oldest sources of revenue utilized by government. In colonial times this form of taxation was used solely by the Federal government. As settlement expanded westward, the property tax became rather difficult to administer and more difficult to enforce and it eventually was handed over to state governments. In course of time, however, most state governments found more lucrative sources of revenue and largely relinquished this form of taxation to local governments.

Since the property tax is a major source of revenue for local governments, any diminution in the tax base presents a problem of major proportions. This is the current predicament facing local government agencies, particularly in the North Louisiana Hill Farm Area, an area which formerly was agricultural and is now reverting rapidly to forest use. This change to a less intensive use implies that theoretically the income producing ability of the land is lower and, therefore, the value of the land should diminish proportionately. Actually, this reduction in value may not occur. It has been observed that land in this area is bid up in price, not because of its agricultural productivity but mainly because of non-agricultural demand, primarily subsurface mineral development. Under the present classification system, however, when land is taken out of agriculture and reverts to forestry, the forest land is valued somewhat below the poorest agricultural land in the same parish. Furthermore, with assessments based upon class use instead of the actual value of land, the system, as will be shown later, has the effect of reducing the tax base in the North Louisiana Hill Farm Area.

Objectives of the Study

The general objective of this study was to examine *rural property assessments* in North Central Louisiana. More specifically, the study had these objectives in mind:

1. To ascertain whether the present method of arriving at assessed values of properties is in accordance with requirements set forth by the Louisiana Constitution.
2. To determine whether the present assessment system results in inequities to taxpayers.

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FIGURE 1.—Land values are rising, not because of agricultural productivity, but partially because of subsurface development.

3. To examine the influence of the Homestead Exemption Law upon the rate of assessment of exempt and non-exempt properties.

4. To determine whether assessors show any favoritism to particular occupational groups.

5. To determine whether absentee owners are being penalized by higher assessments.

6. To make recommendations that may encourage and promote more equitable assessment of taxable rural properties.

Procedure

All land transfers of 10 acres or more, for the years 1953 through 1958, were noted from records of the Clerk of Court of the parishes of Bienville, Claiborne, Lincoln, Jackson, Union and Webster. The observations were confined to true sales between a willing buyer and a willing seller, omitting also transactions among relatives. The assessed values of the transferred tracts of land were then obtained from the assessors' records.

The assessment-sales ratio method of analysis was used. The assessment-sales ratio expresses the relation of the assessed value of a property to the sale value of the property. Wide differences in assessment-sales ratios indicate considerable inequality of assessments among taxpayers. On the other hand, uniform assessment-sales ratios indicate a more equitable treatment among taxpayers.

Assessment Inequalities

Assessment Goals

Table 1 shows that there was very little variation among the average assessment-sales ratios computed for each of the six parishes. It must be remembered, however, that these reflect averages for individual parishes and do not show the variation of assessment-sales ratios among individual tracts. Furthermore, assessment inequalities are less glaring when lands are assessed at a small fraction of actual cash value. For example, assessments at 20 and 15 percent of full value, respectively, do not sound as much out of line as the same proportion expressed as 80 and 60 percent, respectively.

It is readily apparent from data presented in Table 1 that land is being assessed at somewhat less than one-fifth of its actual cash value. Nevertheless, assessing land at less than actual cash value does not result in inequities if all lands in the tax district are as-

TABLE 1.—Weighted Average Rate of Assessment, Six North Louisiana Parishes, 1953-58

Parishes	Rate of Assessment	Property Transfers
	(Percent of Sale Value)	(Number)
Bienville	19	227
Claiborne	16	143
Jackson	13	176
Lincoln	16	143
Union	13	277
Webster	13	150
Average and Total	15	1,116

essed at the same percentage of actual cash value. It is important to note, however, that since a general state tax of $5\frac{3}{4}$ mills is in force, all assessors throughout the state should assess at the same percentage of full value. If not, property owners in parishes with high rates of assessment will pay more than their share and those in low assessment districts less than their fair share of the tax.

Assuming that assessors in each of the six parishes were attempting to assess land between 10 and 20 percent of its sale price, they correctly assessed 48 percent of the tracts sold. They underassessed 17 percent of the tracts, and overassessed 35 percent of the tracts (Table 2).

Assessment Related to Sale Value of Property

Table 3 shows the inequities of assessments, particularly on the basis of sale value of the property. In the six-parish area, properties with a sales value of \$2,000 were assessed at a ratio two and a half times as high as properties with sales value at \$8,000 or more. This

TABLE 2.—The Proportion of Tracts Sold in Six North Louisiana Parishes, Classified as to Rate of Assessment, 1953-58

Rate of Assessment	Bienville	Claiborne	Jackson	Lincoln	Union	Webster	All Six Parishes
	(Percent of Tracts)						
0 - 9	4	14	19	16	23	25	17
10 - 19	43	43	59	54	52	43	48
20 - 29	29	25	14	15	14	16	19
30 - 39	11	7	2	7	2	5	6
40 - 49	7	7	3	3	3	3	4
50 - 59	1	1	..	3	1	1	1
60 - 69	2	1	1	..	1	2	1
70 - 79	1	1	..	1	1	1	1
80 - 89	1	..	1	1	1
90 - Over	2	1	1	1	2	3	2
Total	100	100	100	100	100	100	100

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TABLE 3.—Weighted Average Rate of Assessment as Related to Property Values, Six North Louisiana Parishes, 1953-58

Value per Property	Rate of Assessment						All Six Parishes
	Bienville	Claiborne	Jackson	Lincoln	Union	Webster	
(Dollars)	(Percent of Sale Value)						
Under 2,000	30	26	20	27	21	27	26
2,000 - 3,999	20	19	16	16	17	20	18
4,000 - 5,999	20	14	10	16	13	11	15
6,000 - 7,999	13	12	10	14	12	13	12
8,000 & Over	14	10	10	12	8	9	10

TABLE 4.—Number of Properties by Homestead Status and Sales Value in Six North Louisiana Parishes, 1953-58

Sale Value of Property	Number of Properties													
	Bienville		Claiborne		Jackson		Lincoln		Union		Webster		All Six Parishes	
	Home- stead	No Home- stead	Home- stead	No Home- stead	Home- stead	No Home- stead	Home- stead	No Home- stead	Home- stead	No Home- stead	Home- stead	No Home- stead	Home- stead	No Home- stead
	(Number)													
Under \$2,000	18	91	20	46	9	73	13	30	22	119	17	34	99	393
\$2,000 - 3,999	11	43	12	22	8	42	7	37	23	60	23	25	84	229
\$4,000 - 5,999	11	24	9	12	4	15	9	15	8	19	7	16	48	101
\$6,000 - 7,999	1	11	6	7	6	8	4	16	4	8	3	6	24	56
\$8,000 & Over	4	13	6	3	3	8	6	6	1	13	11	8	31	50
Total	45	182	53	90	30	146	39	104	58	219	61	89	286	830

TABLE 5.—Rate of Assessment Related to Occupation of Landowner, Six North Louisiana Parishes, 1953-58

Occupation	Rate of Assessment						
	Bienville	Claiborne	Jackson	Lincoln	Union	Webster	All Six Parishes
	(Percent of Sale Value)						
Farmer	9	12	8	18	9	11	13
Pulpwood Ind.	11	14	7	16	5	..	14
Lumber Ind.	12	19	9	16	7	14	12
Laborer	15	11	10	16	17	14	13
Merchant	15	20	11	10	11	17	13
Real Estate Agents, Bankers & Loan Agencies	18	26	..	11	8	..	17
Professional	20	18	11	14	10	12	13
Industrial Concerns	..	..	..	13	62	..	10
Public Employee	17	12	13	18	10	17	12

means that property owners of lower valued lands carry more than their fair share of the tax load, especially if they do not have homestead exemption. About 74 percent of the properties included in this study had no homestead exemption; in fact a large proportion of the tracts had no dwellings on the place. Table 4 shows the number of observations occurring in each property value class and the number having homestead exemption.

Assessment Related to Occupation of Landowner

Apparently assessors in the six-parish area cannot be accused of showing favoritism to any particular occupational group. There was only slight evidence to suggest perhaps that professional or business groups may be assessed at a higher ratio than farmers, laborers or wood industries, but this could be attributed to the lower-valued tracts owned by these groups rather than the occupation of the owner (Table 5).

Assessment of Exempt and Non-Exempt Properties

Comparison of assessment-sales ratios between homestead exempt and non-exempt properties shows that exempt property is usually assessed at a higher level than non-exempt property. Exempt property valued at \$2,000 or less was assessed at 46 percent of its actual cash value, while non-exempt property was assessed at only 14 percent of its actual cash value (Table 6). As the value of the property increased, the difference between exempt and non-exempt properties decreased. The Homestead Exemption Law provides for an exemption not to exceed \$2,000 of assessed value, and the parishes are reimbursed by the state for the amount of the tax due from those properties on the tax rolls that qualify for exemption.

Assessments on Properties Having Absentee Landlords

At first glance it appears that owner occupied properties are assessed at a higher rate than absentee landlord properties (Table 7). This is true, but it must be remembered that practically all of the owner occupied properties carry a homestead exemption which eases the tax burden of the owner who lives on his property. Nevertheless, these data dispute the assertion that absentee owners are being penalized by higher assessments than those imposed upon owner occupied properties. Of the 1,116 properties included in this study, 17 percent were owner occupied, in 73 percent the owner lived within 50 miles of the property, and for 10 percent the owner lived more than 50 miles distant.

Basis for the Property Tax

The property tax as a means of obtaining revenue is based on two major concepts. The first is that property ownership constitutes a good measure of a person's ability to pay. This concept was de-

TABLE 6.—Comparison of Rate of Assessment for Homestead Exempt and Non-Exempt Properties, Six North Louisiana Parishes, 1953-58

Value per Property	Rate of Assessment							
	Bienville		Claiborne		Jackson		Lincoln	
	Exempt	Non- Exempt	Exempt	Non- Exempt	Exempt	Non- Exempt	Exempt	Non- Exempt
(Dollars)	(Percent of Sale Value)							
Under 2,000	63	23	29	25	45	17	42	19
2,000 - 3,999	23	19	24	16	39	11	22	15
4,000 - 5,999	26	18	14	14	15	9	19	14
6,000 - 7,999	11	12	13	12	12	8	17	13
8,000 & Over	12	15	9	13	14	8	15	10

Value per Property	Rate of Assessment					
	Union		Webster		All Six Parishes	
	Exempt	Non- Exempt	Exempt	Non- Exempt	Exempt	Non- Exempt
(Dollars)	(Percent of Sale Value)					
Under 2,000	54	14	40	8	46	14
2,000 - 3,999	32	11	24	16	27	14
4,000 - 5,999	22	9	9	12	19	13
6,000 - 7,999	16	10	22	9	15	11
8,000 & Over	9	7	6	13	10	10

TABLE 7.—Average Rate of Assessment on Owner Occupied Properties and Absentee Landlord Properties, Six North Louisiana Parishes, 1953-58

Location of Owner	Rate of Assessment						All Six Parishes
	Bienville	Claiborne	Jackson	Lincoln	Union	Webster	
	(Percent of Sale Value)						
Living on the Property	17	13	9	17	23	16	16
Absentee							
1-50 Miles	14	15	10	14	11	14	13
Over 50 Miles	15	12	9	12	10	14	12

veloped in early times, when most of the wealth was held in the form of tangible goods. The second concept is that property owners within a taxing district receive most of the benefits of local government and should be willing to pay for these advantages; for example, fire and police protection, improved highways, educational and recreational facilities, hospitals and other services which enhance property values. Arguments have frequently been advanced, both pro and con, to point out that both of these concepts may be in error. Nevertheless, until a better method of obtaining revenue for local governmental services is developed, the general property tax will remain in use.

In Louisiana, as in the majority of other states, the base on which the tax is applied is supposedly the actual cash value of the property. Article X, Section 12 of the Louisiana Constitution states that "all real estate, exempt as well as taxable, shall be valued at actual cash value, listed on the assessment rolls and submitted to the Louisiana Tax Commission." Despite this very clear and concise statement, neither the Constitution nor any statutes regarding the general property tax suggest a practical method for determining actual cash value. Chapter I, Section 1702 of the Louisiana Revised Statutes defines "actual cash value," or "actual cash valuation," as "the valuation at which any real or personal property is assessed for the purpose of taxation, after the assessing authorities have considered every element of value in arriving at such valuation. The price at which any piece of real estate or personal or movable property shall have been sold for cash in the ordinary course of business, free of all encumbrances, otherwise than at forced sale, shall be evidentiary only, and be considered with other factors in determining the actual cash value for assessment purposes."¹ This definition insists that other elements of value should be considered in arriving at the actual cash value but mentions only sale price. The other elements are left to the imagination of the assessor.

Is it not logical to assume that the person buying the property had considered the elements of value in arriving at a price he was willing to pay? This may be sufficient justification for basing the assessment upon sale price. However, this may not be the complete solution. Some properties may not change ownership for several generations. This is generally true for the larger, wealthier estates. In fact, land sales within certain assessment districts are becoming the exception rather than the rule.

Since there is no specific regulation or statute outlining a method for establishing cash value, assessors obviously are faced with an extremely difficult task.

Sample evidence indicates that the assessed value very rarely approaches the sale value of a piece of property. Apparently assess-

¹ State of Louisiana, Louisiana Revised Statutes of 1950: Baton Rouge, West Publishing Company, p. 316.



FIGURE 2.—Former cotton fields are now pasture, but land values have doubled. Assessed value may be reduced because of change to lower class use.

ments are maintained at a low level because of the political pressures exerted by the taxpayers. It would be undesirable for an assessor to adjust his assessments upward unless it was part of a concerted effort in which all assessors in the state attempted to do the same thing. A lone effort would merely result in an unfair burden on taxpayers in his district. This problem arises from the fact that the state imposes a uniform tax rate on all tax districts; therefore, districts with higher rates of assessment would be at a disadvantage.

Ordinarily, the rate of assessment is not a critical issue, because of the method used to determine the tax rate. First, the tax rate is determined by computing the amount of money needed for operating expenses and other purposes during the coming year; second, money is formally appropriated for this purpose; and third, a property tax is levied for that portion of the total budget which is to be financed by property taxes. The amount of the tax levy is then divided by the total assessed value of the tax district to get the tax rate for the year. For example, a local unit with a total assessed value of \$5 million and a tax levy of \$60,000 would have a tax rate equal to 1.2 percent of its assessed value (\$60,000 divided by \$5 million—.012). This tax rate is referred to as a millage rate—12 mills in this example—because it represents the number of mills to be collected for each dollar of assessed valuation. Therefore, the

taxpayers' land can have a low value placed upon it with an accompanying high millage rate, or a high value with a low millage rate.

In Louisiana, however, the Constitution has established legal limits not to be exceeded by local millage rates. In many of the tax districts in Louisiana local millage rates have been at the maximum for years, and government officials no longer compute a new millage rate each year. They are forced to either supplement the budget with other revenues or curtail their activities.

Land Use Classification

Land use classification for assessment purposes seems to be of growing importance. In 1954, classification of forest land in Louisiana was enacted as a constitutional provision.² Classification of



FIGURE 3.—Is this class A, B, or C agricultural land?

other land is not required by statute, but the Tax Commission directs assessors to classify rural non-forested lands into either Class A, Class B, Class C, pasture, or miscellaneous.

Placing land into various classes does not mean that all land falling within a specific class should have the same assessed value. In fact, the Constitution, in regards to forest land, and the assess-

² Section I, Article X, Constitution, State of Louisiana, as amended, 1954.

ment suggestions in the Biennial Report of the Louisiana Tax Commission specifically state that lands in the same class may have different values.³ In Article X, Section 1 of the Constitution we find this statement: "After the effective date of this amendment no additional value shall be added to the assessment of land by reason of the presence of timber thereon in excess of such value as was included in the assessment of said land and timber thereon at the time of the adoption of this amendment; provided that standing timber shall be and remain liable equally with the land on which it stands, for ad valorem taxes levied on said land."⁴

In the Biennial Report we find the following: "Different tracts of land may be placed in the same class and yet have different value."

Nevertheless, it is apparent from sample data and also from conversations with tax commissioners that an assessor is encouraged, in fact directed, to place the same value on all land in his district that has the same use classification. The initial values determined for each land use class within each parish is left to the



FIGURE 4.—The assessed value of this cotton land may be only \$5 to \$10 higher than the assessed value of this pasture land.

discretion of the parish assessor. Table 8 shows the assessed values placed upon land classified as "Other Pine Land" and sold during 1953-58. It is apparent that 95 percent of "Other Pine Land" in Bienville is assessed at from six to eight dollars, 94 percent in Claiborne from seven to eight dollars, 83 percent in Jackson from five to six dollars, 98 percent in Union at five dollars, and 97 percent in Webster at six to seven dollars.

Use of a classification system with fixed assessment values for

³ Ninth Biennial Report of the Louisiana Tax Commission, 1958-59, p. 80.

⁴ Constitution, State of Louisiana, 1921, as amended through the election of November 2, 1954, p. 250.

each class has two problem effects. First, it arbitrarily raises or lowers the assessed value of the land. As an example, a tract of land valued on the open market at \$50 per acre for use as pasture is assessed at \$8 per acre under the pasture classification. A timber company desiring the land for pine production purchases the land at \$50 per acre and puts it into timber production. Under the classification system now in use, the land would be classed as "Other Pine Land" and assessed at \$5 per acre instead of the former \$8 per acre.

TABLE 8.—Assessment Value per Acre on Sample Tracts Classified as Other Pine Land, Five North Louisiana Parishes, 1958-59¹

Assessment per Acre of Other Pine Land	Bienville	Claiborne	Jackson	Union	Webster
(Dollars)	(Percent of Tracts)				
10-13	1	..	7	..	..
9	3	..	5	..	..
8	30	18	5	..	..
7	41	76	..	1	6
6	24	3	22	1	91
5	1	..	61	98	1
4	..	..	..	..	2
	100	100	100	100	100

¹ Lincoln Parish did not have land classified as "Other Pine Land" on the assessment rolls.

The second problem effect is that a classification system with predetermined assessment values ignores the ad valorem property tax theory based on actual value. Land falling within the same use classification does not necessarily have the same value. Referring again to the Other Pine Land classification, it has been demonstrated by foresters that there is a great deal of variation in the productive capacity of various tracts of land which is frequently overlooked by the casual observer. These differences in productive ability of the soil undoubtedly influence the price that timber producers and others are willing to pay for a tract of land. Furthermore, the location of the tract with respect to good roads also affects the harvesting costs and, consequently, influences the price that timber producers are willing to pay for the land.

To disregard the great variation in value of various tracts of land of the same use classification is to disregard the basic concept of the ad valorem property tax. If it is assumed that the sale price of land is a good indicator of its cash value, it can be readily demonstrated that assessments based on land use instead of land values could possibly result in serious inequities and a diminution of the tax base.

Conclusions and Recommendations

The use of the classification system helps to standardize assessments according to land use but it also creates additional problems and inequities. Assessments made according to land use rather than land values are in direct violation of the constitutional provisions regarding property taxation.

The Tax Commission, in suggesting standardized values according to land use, is trying to attain uniform assessments within each tax district. Nevertheless, inequities are inherent in this requirement. For example, lands having the same sale value may be used for agricultural production or allowed to remain idle. The farmer who works his land in an effort to earn a living will pay a higher tax on his land than the absentee landlord who finds it convenient to let his land lie idle. To reduce these inequities the Tax Commission should insist that assessors follow the intent of the law and assess land at its actual cash value or at some uniform percentage thereof.

Results of this survey indicate that assessors of the various taxing districts are trying to maintain an average assessment rate of between 10 and 20 percent of cash value. This effort appears to be about 50 percent successful.

Trying to achieve uniformity of assessments on a state-wide basis is a tremendous task—like trying to drive a herd of 70 horses down a poorly defined lane. And the only justification, apparently, for maintaining this state-wide uniformity is to avoid inequities among taxing districts. These inequities among parishes occur because of the $5\frac{3}{4}$ mill property tax levied by the state against each taxable property. A taxing district assessing at 20 percent of full value would be paying twice as much per dollar of full value as the district assessing at 10 percent.

If assessors were encouraged to assess each property at its realistic cash value, individual inequities could be reduced within each tax district. If some assessors preferred to continue operating as in the past, a wide variation in rates of assessment could occur among districts. This latter discrepancy could well be handled by imposing the state levy upon an equalized assessment value for the parish rather than upon each taxable property.

Equalization could be accomplished in a manner similar to that used in New York State. For example, let's assume four parishes with average rates of assessment of 10, 15, 20 and 30 percent, respectively, and corresponding assessment values of \$40 million, \$30 million, \$20 million and \$30 million. The equalization computation would be as shown in Table 9.

Note that the average rate of assessment for the four parishes is 15 percent. This rate times the full value for each parish gives the equalized value. Note also that the total equalized value equals

the total assessed value. An equitable apportionment of the tax load among parishes results when the state tax is imposed upon the equalized value rather than upon the original assessed value. Thus it would appear desirable to place the 5¾ mill state tax levy on the equalized parish assessment instead of on every individual property.

The wide variation in rate of assessment within a taxing district continues to be a difficult problem. Undoubtedly, each assessor is well aware of the discrepancies within his district. He knows that he is not assessing at full value and that some adjustments are needed in recognition of changing property values over the years.

TABLE 9.—Example of Equalization of Assessed Values Among Parishes

Parish	Rate of Assessment	Total Assessed Value	Full Value	Equalized Value
	(Percent)	(Million Dollars)		
A	10	40	400	60
B	15	30	200	30
C	20	20	100	15
D	30	30	100	15
Average and Total	15	120	800	120

Properties change in value in somewhat irregular patterns. A few select properties may skyrocket in value because of some locational advantage; for example, an oil discovery or a community subdivision. Still other properties may diminish in value because of nearness to some nuisance factor, a garbage dump, for example. Despite these value changes, there is a considerable reluctance on the part of assessors to raise or lower assessments in line with changing values. Why? Well, first of all, they are only human. An increase in assessments invites considerable opposition. Individual landowners rebel when this occurs, and their attitudes are vividly reflected by voting for a replacement at the next election. There is no incentive to lower assessments where justified, because it would merely distort the tax base and call attention to the need for adjusting other assessments upward to compensate for the loss in revenue which otherwise would occur. Hence, the general practice is to maintain the status quo as much as possible, to raise assessments only on newly formed property units, and lower assessments only when landowners file a justifiable request for an adjustment.

Some states have solved the political pressure problem by having assessors appointed and placed under Civil Service. This is one way of encouraging assessors to make adjustments without fear of political retaliation.

Another suggested improvement is to reduce the cost of preparing the annual assessment roll and facilitate record keeping by placing property data on punch cards for machine processing. Some of the more progressive taxing districts in other states have already switched over to this system.

Regardless of the approach to be followed, the burden rests with the taxpayers. The existing assessment problems have resulted mainly from apathy and shortsighted self interests. There is an apparent need for frank and open discussions in both rural and urban areas to acquaint landowners with assessment and taxing practices.



